

## Juridical Implications of The Sustainable Finance Principles Implementation in the Banking Sector on the Obligations of Sustainable Reporting<sup>1</sup>

Lastuti Abubakar<sup>a</sup> & Tri Handayani<sup>b</sup>

<sup>ab</sup> Faculty of Law, Universitas Padjajaran, Bandung – Indonesia

---

### Abstract

The enactment of POJK No.51/POJK.03/2017 concerning sustainable finance requires all financial service institutions, including banks to implement the sustainable finance principle. Despite several of the principles have already become parts of banking regulations as in the obligation to implement risk management and governance, specifically, the principles have yet focused on integrating the economic, social and environmental aspects as a pillar of sustainable banking. This study employed normative juridical approach with descriptive analysis. The problems examined are how the sustainable finance principles are implemented in banking sector and the urgency of the sustainability reporting as an effort to determine banks' compliance with the sustainable finance principles. The juridical implications of the implementation of sustainable finance principles in banking are the obligation to integrate social, economic and environmental aspects in banking activities in both the funds distributions and investment. In addition, the obligation to implement risk management and integrated governance, banks are required to create and publish sustainability reports as a form of bank accountability to all stakeholders to fulfill governance principles, especially transparency obligations.

**Keywords:** Sustainable Finance Principle, Sustainable Banking, sustainability reporting

### Abstrak

*Berlakunya POJK No. 51/POJK.03/2017 Tentang Keuangan Berkelanjutan mewajibkan seluruh lembaga jasa keuangan, termasuk perbankan untuk menerapkan prinsip keuangan berkelanjutan. Meskipun sebagian prinsip keuangan berkelanjutan sudah menjadi bagian dari regulasi perbankan seperti kewajiban untuk menerapkan manajemen risiko dan tata kelola, namun secara spesifik belum mengakomodasikan tuntutan untuk mengintegrasikan aspek ekonomi, sosial dan lingkungan sebagai pilar perbankan berkelanjutan. Penelitian ini menggunakan pendekatan yuridis normatif dan spesifikasi penelitian yang bersifat deskriptif analitis, permasalahan yang dikaji adalah bagaimana implementasi prinsip keuangan berkelanjutan di sektor perbankan dan urgensi laporan berkelanjutan bank sebagai upaya untuk mengetahui kepatuhan bank terhadap prinsip keuangan berkelanjutan. Implikasi yuridis penerapan prinsip keuangan berkelanjutan pada Bank adalah kewajiban mengintegrasikan aspek sosial, ekonomi dan lingkungan pada aktivitas perbankan baik penyaluran dana maupun investasi. Selain wajib menerapkan manajemen risiko dan tata kelola yang terintegrasi, bank wajib membuat dan mempublikasikan laporan keuangan berkelanjutan sebagai bentuk pertanggungjawaban bank kepada seluruh pemangku kepentingan untuk memenuhi prinsip tata kelola, khususnya kewajiban transparansi.*

**Kata Kunci :** Prinsip keuangan berkelanjutan, perbankan berkelanjutan, laporan berkelanjutan.

Copyright©2019 Jurnal Dinamika Hukum. All rights reserved.

---

## Introduction

The development of Indonesia's financial services sector regulations is closely related to the changes in global financial policies and regulations. This condition is the impact of the globalization of the financial services sector, in which the money or capital

---

<sup>1</sup> This article is a part of a research entitled "Penerapan Corporate Social responsibility (CSR) Sebagai Upaya Menciptakan Sustainable Banking dan Implikasinya terhadap Penataan Hukum Perbankan", with Skema Riset Unggulan Dosen Unpad (RKDU)-Hibah Internal Unpad (HIU), Research Implementation Agreement of HIU year 2018 No: 0805/UN6.A/PL/2018.

✉ Corresponding author: [lastuti62abubakar@gmail.com](mailto:lastuti62abubakar@gmail.com)

flow moves to sectors that produce the greatest returns. Countries with the ability to provide legal certainty and protection through effective, efficient and globally standardized regulations for fund owners will be a smart investment destination. Therefore, internationally standardized regulations agreed and the application of international best practices in investment and finance are important for Indonesia. Indonesia, as a member of several regional and international financial organizations, is committed to complying with and implementing the mutual agreements and standards. These agreements and standards are the foundation of regulation formation in the Indonesian financial services sector through adoption and adaptation processes. Financial service sector regulation moves following the changes in international policies, guidelines and standards through the Financial Services Authority (Otoritas Jasa Keuangan/OJK) Regulation for microprudential policies and Bank Indonesia (BI) Regulations for macroprudential policies. The microprudential and macroprudential authorities have been separated since the enactment of the Law Number 21 Year 2011 concerning the Financial Services Authority, which has been implemented effectively as of December 31, 2013. Mechanisms and methods of adoption and adaptation in the regulations formation in Indonesia cause the financial services sector, particularly banks to be able to follow changes promptly while considering the national interests.

One of the development issues in international forums in recent years is the commitment of countries to use new paradigms and to accommodate sustainability principles to achieve sustainable development goals (AnNaf, 2005). Sustainable development, better known as the Sustainable Development Goals (SDGs), is a global action plan mutually agreed upon by world leaders including Indonesia, with the goals to end poverty, reduce inequality and protect the environment. These Sustainable Development Goals contain 17 goals and 169t expected to be achieved by 2030. Sustainable development agreements are agreements with the ability to encourage sustainable development based on human rights and equality to promote social, economic, and environment development. The Sustainable Development Goals are implemented with the universal, integrated, and inclusive principles to ensure that no one will be left behind. The principle of "no one left behind" is the main principle of the SDGs. Through this SDGs principle, it is expected that the issues of social justice, the extent to which development policies and programs are able to solve the community problems, especially related to disadvantaged communities. The 17 goals and 169 targets of the SDGs are interrelated and inseparable. Sustainable Development Goals must be built on solidarity, cooperation, mutual accountability and the participation of the government and all stakeholders.

Two key words in the terms of sustainable development consisting the fundamental meaning are "sustainability" and "sustainable development". Sustainability is an order to maintain production capacity for the unlimited future (Fauzi, 2014). In general, sustainability is defined as continuing without lessening. Whereas sustainable development is construed as the development aiming to achieve a harmony between

legal protection and economic development, and between present and future needs, that requires the integration of economic, social and environmental approaches to achieve development (Singh, 2014). In conclusion, sustainable development aims to protect the planet from degradation and thus support the present and future generations. Sustainable development must provide solutions to fulfill basic human needs, to integrate environmental development and protection, to achieve equality, and to maintain ecological integrity (Karin, 2018). Sustainable development focuses on three solution-oriented pillars, including technology and innovation, law and government, economy and financial incentives. Almost all sustainable projects are supported by the three pillars simultaneously (Clune, 2018).

The sustainable development summarized in the 17 sustainable development goals (SDG's) will guide global action over the next 15 years since the UN adopted the 2030 agenda for sustainable development on September 25, 2015. Countries agree to adopt a set of goals for ending poverty, protecting the Earth, and ensuring prosperity for all as part of the new sustainable development agenda. To achieve this goal, the involvement of the government, the private sector and the community, including individuals, are necessary. The United Nations (UN) expects all governments to develop national strategies to achieve SDG's and emphasizes that business actors play an important role in achieving sustainable development goals (Jones, 2017).

Indonesia is one of the UN members that actively participates in determining the Sustainable Development Goals (SDGs) as stated in the document Transforming Our World: The 2030 Agenda for Sustainable Development. To reaffirm the government's commitment in achieving the Sustainable Development Goals, it is necessary to agree with the National Long-Term Development Plan (*Rencana Pembangunan Jangka Panjang Nasional /RPJPN*) and the National Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Nasional/RPJMN*) stating four aspects of sustainable development, including social, economic, environmental and institutional aspects. Therefore, the government issued the Presidential Regulation (Perpres) Number: 59 Year 2017 concerning the Implementation of Sustainable Development Goals Achievement that states the national targets for the period 2017 to 2019 in the 2015-2019 RPJMN in line with the Sustainable Development Goals listed in the Appendix. This Appendix is an integral part of the Presidential Regulation. The sustainable development goals aim to maintain the increase in the community's economic welfare sustainably, to maintain the sustainability of the community social life, to maintain environmental quality and inclusive development, and to implement governance that is able to maintain the increase in life quality from one generation to the next. Referring to the 8<sup>th</sup> global goal of Perpres No.59 Year 2017, there are global targets involving the financial services sector, especially banking, the Indonesian government has promoted the banking sector to support Indonesia's success in achieving the SDGs by referring to three main factors including acceleration, financing and inclusion. Based on Perpres No.59 Year 2017, the Indonesian government reaffirms its commitment to the implementation of sustainable

development goals achievement. Therefore, this Perpres regulates the agenda of implementing the SDGs. In its appendix, the implementation of the SDGs achievement is explained in more detail regarding the global goals, global targets, national targets and agencies given the tasks to implement the global targets as described in the following table.

**Table 1.** Follow Up of VII SDGs

<b>Global Targets</b>	<b>Global Goals</b>	<b>National Goals of RPJMN 2015-2019</b>	<b>Agencies</b>
VIII. Increasing the inclusive and sustainable economic growth, productive and comprehensive employment opportunities, and decent works for all.	Strengthening the domestic financial organization capacity to encourage and expand the access to banking, insurance, and financial service for all.	Increase in the access expansion and financial services through the strengthening of financial services until 2019.	<ol style="list-style-type: none"> <li>1. Coordinating Ministry for Economic Affairs;</li> <li>2. Ministry of National Development Planning/ National Development Planning Agency;</li> <li>3. Ministry of Finance;</li> <li>4. <b>Bank Indonesia</b>;</li> <li>5. <b>Finance Services Authority</b>;</li> <li>6. Provincial Government;</li> <li>7. Local/City Government.</li> </ol>

*Source: Appendix Perpres No.59 Year 2017*

Before Perpres No.59 Year 2017, the Financial Services Authority (OJK) had first responded to sustainable development. In 2014, the OJK prepared a Sustainable Finance Roadmap in Indonesia 2015-2019. This is a follow-up to the design of the Sustainable finance System issued by the United Nations in 2014 to advance policy options in order to provide steps for changes in the financial system to prioritize effectiveness and to distribute capitals towards a green and inclusive economy. The United Nations considers that regulations and policies in the banking sector play a role in supporting and overcoming institutional and market challenges for the provision of banking credit and investment for the green economy. In line with this, the Sustainable Finance Roadmap in Indonesia 2015-2019 will be part of the Indonesian Financial Services Sector Master Plan (*Master Plan Sektor Jasa Keuangan Indonesia/MPSJKI*) and will be used as a reference for the stakeholders of sustainable finance, especially the financial services sector under the authority of Financial Services Authority (OJK), including banking, capital markets and the Non-Bank Financial Industry (*Industri Keuangan NonBank/IKNB*). The Sustainable Finance Roadmap in Indonesia 2015-2019 refers sustainable finance as the general support of the financial services industry for sustainable growth resulted from the balance between economic, social and environmental interests.

Perpres No.59 Year 2017 regulates the implementation of the sustainable development goals achievement, but does not explain the intended meaning of sustainable development. Based on the explanation of POJK No.51/POJK.03/2017, sustainable development is defined as an intentional and planned effort integrating economic, social and environmental aspects into a development strategy to ensure the unity of the environment, safety, ability, welfare and life quality of present and future generations. Based on Article 2 Paragraph (2) Perpres No.59 Year 2017, the sustainable development goals aim to maintain the increase in the community's economic welfare sustainably, to maintain the sustainability of the community social life, to maintain environmental quality and inclusive development, and to implement governance that is able to maintain the increase in life quality from one generation to the next. Further, the sustainable development goals are stated in the National Action Plan for Sustainable Development Goals and Regional Action Plans for Sustainable Development Goals containing programs and activities of the 5-year plan for the implementation of various activities that directly or indirectly support the achievement of SDGs in accordance with national and regional development targets.

The sector that is expected to be a motivator for achieving the goal of sustainable development is the financial sector through the implementation of sustainable finance principles. The entire regulation governing the implementation of sustainable finance principles is the Law Number 32 Year 2009 concerning environmental protection and management to improve and implement environmental economic instruments including environmentally friendly policies in the area of banking, capital market, and non-bank financial industry. In addition to being committed to support the implementation of sustainable development, financial services sector increases the resilience and competitiveness in order to grow and develop sustainably (OJK, 2015). Several principles of sustainable finance have been established as guidelines for the financial services sector, especially for banking in carrying out their activities. There are four principles of sustainable finance that become a reference for Financial Services Institutions (Lembaga Jasa Keuangan/LJK). 1) the risk management principle, which integrate environmental and social protection aspects in banking risk management in order to avoid, prevent and minimize negative impacts and encourage increased benefits of funding and operational activities of LJK. 2) The principle of sustainable priority of economic sector development that are inclusive by increasing funding activities, especially in industry, energy, agriculture, infrastructure and MSME sectors by balancing economic, environmental and social aspects, and providing financial services to communities with no access to financial services in the formal sector. 3) The principle of environmental and social governance and reporting, by implementing environmental and transparent governance practices in operational activities carried out by LJK customers, and regularly reporting the progress of LJK in implementing sustainable finance principles to the public. 4) the principle of capacity improvement and collaborative partnership by developing the capacity of human resources, information technology and operational processes of each

LJK related to the implementation of sustainable finance principles and ensuring cooperation between LJK, regulators, and the government and utilizing partnerships with domestic and international institutions to encourage sustainable finance improvement (OJK, 2015). The implementatin of the principles of sustainable finance in the financial services sector is a concrete form of Indonesia's commitment to the international community by providing funding sources for mitigating and adapting to climate change.

The sector that is expected to contribute significantly in the implementation of sustainable finance goals achievement is the banking industry. In addition to functioning as an intermediary institution, which collects funds and distributes them in the form of credit or financing, banks play important roles in achieving the goals of sustainable finance programs in Indonesia. 1) Increasing the resilience and competitiveness of financial service institutions so that they are able to grow and develop sustainably. Resilience is associated with better risk management capabilities, while competitiveness is associated with the ability of financial service institutions to innovate environmentally friendly products/services. 2) Providing funding sources needed by the community using the reference of the Long-Term Development Plan and Medium-Term Development Plan characterized by pro-growth, pro-job, pro-poor, and pro-environment. 3) Contributing to the national commitment to the problem of global warming through business activities in the form of prevention/mitigation and adaptation to climate change towards a competitive low-carbon economy. In addition to the roles of banks, OJK encourages the financial services sector, especially banking, to accomplish public financial independence and to support the efforts to increase development equity through the development of banking products suitable for micro business needs, to expand access to funding and/or financing for MSMEs, to develop financial services without offices (clever behavior) and to expand the distribution ways for financial service products in the context of inclusive finance. Regarding sustainable development goals, the function of the banking system is closely related to the 8<sup>th</sup> goal of 17 SDGs that is encouraging economic growth that is sustainable, inclusive, full and productive employment and decent work for all (Barbier, 2017).

As a description of the Sustainable Finance Roadmap, OJK established OJK Regulations No.51/POJK.03/2017 concerning the implementation of sustainable finance for financial service institutions, issuers, and public companies (POJK sustainable finance). Banking is expected to be able to implement sustainable finance principles earlier than other financial services sectors. There are several reasons as to why banking is a precursor to implement the principles of sustainable finance.

- 1) banking is an industry that dominates the financial sector in Indonesia;
- 2) banking regulation continuously adapts to international guidelines and standards issued by international institutions, so that it is easy to make regulatory adjustments;

- 3) the paradigm used in regulation and supervision of the financial services sector uses an interconnected approach, that is the interrelationship among the financial services sector, so that banks constantly have interrelationship with other financial services sectors or other banks (**Handayani & Abubakar, 2017**).

Concerning regulation, Indonesian banks have a set of rules used as a strong legal foundation for sustainable finance implementation. In addition, the banking sector is an especially strictly regulated sector based on the prudential banking principle as the main principle. This means that banks must comply with all applicable legal provisions, including guidelines or standards made by internal banks (**Abubakar, 2017**). Closely, there are two existing banking regulations as the follow up to the prudential banking principle and in line with the Sustainable Development Goals. The regulations are the provisions of risk management and good corporate governance. Provisions for risk management are regulated in POJK No. 18/POJK.03/2016 concerning Implementation of Risk Management for Commercial Banks and POJK No. 65/POJK.03/2016 concerning Implementation of Risk Management for Sharia Commercial Banks and Sharia Business Units. The provisions of risk management require the bank to anticipate potential risks arising due to the provision of credit or financing.

There are at least three types of risk relevant to the Sustainable Development Goals, including compliance risk, legal risk and reputation risk. The risks have a potential to arise if the bank in granting credit or financing and investment does not consider the non-green projects as part of the bank's obligations. In addition to the obligation to implement risk management, the obligation to implement good governance is a form of responsibility to the stakeholders. The obligation to implement governance is regulated in POJK No. 18/POJK.03/2016 concerning Application of Risk Management for Commercial Banks and POJK No. 65/POJK.03/2016 concerning Application of Risk Management for Sharia Commercial Banks and Sharia Business Units. The two regulations regarding governance aim to improve the bank performance, protect the interests of stakeholders, and increase compliance with laws, regulations, and ethical values prevailing in the banking industry. The more complex the risks faced by banks, the greater the need for good governance practices by banks. The bank's obligation to implement the principles of good governance, is realized in the implementation of the compliance function, internal audit, and external audit, and the implementation of risk management.

Therefore, if the implication of the bank's prudential principle is compliance with all laws and regulations, including provisions of risk management and governance, the implementation of the sustainable finance principle should have become part of the governance and work culture of the banking system, because several of the principles of sustainable finance have become part of banking regulations. In addition, the Article 74 of Law No. 40 Year 2007 concerning Limited Liability Company (PT Law) as *lex generalis* for banks in the form of PT requires all PTs in the area of and/or related to natural resources must perform social and environmental responsibility (CSR), which is budgeted

and calculated as the cost of the company of which the implementation is performed by considering propriety and fairness. This CSR obligation is then confirmed in Article 8 Paragraph (1) POJK No. 51/POJK.03/2017, which regulates "financial service institutions that are required to carry out social and environmental responsibility (CSR) must allocate a portion of CSR funds to support the implementation of sustainable finance activities. The allocation of CSR funds is stated in the Sustainable finance Action Plan. Furthermore, the report on the use of CSR funds to support the implementation of sustainable finance activities is stated in the Sustainability Report. The problem is how banking activities balance the interests and business objectives to maximize profits by integrating social and environmental interests to achieve long-term benefits.

The implementation of sustainable finance in the banking sector is not an easy issue, but it is also not difficult. As an integral part of sustainable development, banking activities cannot be separated from the involvement of investors, business actors, and even the government's political will. In its implementation, banking as an intermediary institution faced two interests, including the accountability of the use of third-party funds that require banks to think about how to obtain return, and the obligation of banks to play an active role in sustainable development by considering social and environmental impacts on the given investments and loans. For this reason, banks are required to optimally implement risk management and mitigate risks arising in investments and loans.

Therefore, the obligatory approach adopted by the Indonesian financial authorities is relevant to accelerate the implementation of sustainable finance in the banking sector. In addition, government policies that are responsive to international commitments to implement sustainable development will accelerate the growth of sustainable banking. The implementation of sustainable banking is considered problematic when banks try as hard as possible to distribute loans to benefit from the interest on loans (interest based) by establishing certain requirements but the recipient of the loan ignores or does not comply with the principles of sustainability. Concrete illustrations to illustrate the implementation of sustainable banking is evident from the practice of financing palm oil plantations involving four major banks in Indonesia which are suspected of not implementing good practices for sustainable development. Palm oil plantations in Indonesia have become global issues with social and environmental impacts, including deforestation, peat land development, and exploitation. To clean up peat swamp forests into land ready for planting for plantations, entrepreneurs use slash and burn systems because they are relatively cheap. The smoke crisis caused by forest fires has caused health problems and land, sea and air transportation system problem (Cahyono, 2015). Concerning the impacts of development that is solely economic oriented, the paradigm of sustainable development is no longer an option, but an obligation for every country, business actor, especially the financial services sector and the community to realize it.



## Research Problems

Based on the mentioned problems, banks play a significant role in implementing the principles of sustainable finance. Therefore, this study examines and analyzes the juridical implications of the implementation of the sustainable finance principles in the banking sector and the urgency of the banks' sustainable report in an effort to analyze the banks' compliance with the sustainable finance principles.

## Research Methods

This research is descriptive analytical research, including the process of making a systematic, factual and accurate classification of facts. Therefore, this study reviews and describes the problems of legal aspects relating to global developments, particularly regarding the role of financial sector, especially banking in realizing sustainable development goals. The approach used in this study is a normative juridical approach prioritizing secondary data in the form of primary legal material in the form of laws and regulations, secondary legal materials, including relevant journals or previous research results and tertiary legal materials. Further, the data was analyzed qualitatively and juridical, meaning that the conclusion is not based on statistical figures, but on the relationship between the legal principles of the rule of law and legal interpretation.

## Discussion

The implementation of sustainable finance principles on the banking sector creates juridical implications for banks, including the integration of economic, social and environmental aspects of banking activities, particularly in performing the intermediary function that will have implications on strengthening obligations of risk management and governance, and the obligation to submit sustainability reports containing publications of the implementation of sustainable finance principles in banking activities.

## **Juridical Implication of the Implementation of Sustainable Finance Principles**

The financial services sector is expected to recognize risks regarding environmental impacts resulted from bank funding. This is important for regulators to be able to support through policies directed towards sustainable development goals as a guideline for the financial services sector. This policy will later be translated into risk management, framework and governance of financial institutions in each country. Regarding sustainable development, the financial sector remains as the biggest challenge in advancing sustainable development. The United Nations Environment Program-Finance Initiative (UNEPFI) refers to the partnership between the UN Environment and the global financial sector continuously promoting sustainable finance. More than 230 financial institutions, including banks, insurance companies, and investors work with the UN Environment to analyze current environmental, social and governance

challenges, why third parties are important to be funded, and how to actively participate in facing environmental challenges.

In 2014, the UN Environment Programme (UNEP) established an investigation to explore and develop policy options to harmonize the financial system with sustainable development needs, focusing on financial and monetary policies, regulations, standards and norms as well as steps fiscal. The main objective is that financial instruments and financial institutions as intermediaries allow providers and users of funds to achieve the following objectives (UNEP, 2012):

1. Aligning the Financial System with Sustainable Development Considerable Finance is needed to drive the transition to a green, inclusive economy.
2. Private capital is needed to finance this transition, complemented by public expenditure, but is currently being channeled into an unsustainable economy.
3. Never in modern times has there been so great a consensus that the financial system is not fit for purpose. The recent financial crisis, reinforced by the failure of today's global economy to deliver the jobs needed and steward the natural environment, has eroded trust in the financial system's capacity to serve its intended beneficiaries and the long-term interests of the real economy.
4. UNEP has established the 'inquiry into the design of a sustainable finance system to address this potential policy area.
5. The Inquiry aims to accelerate and scale emergent policy innovations that better align the financial system to sustainable development. Growing numbers of central banks, financial regulators and private standards agencies, particularly from emerging economies, are advancing measures explicitly focused on green and equity goals.
6. Success of the Inquiry would establish the centrality of creating a sustainable finance system as an enabler of the transition to a green and inclusive economy, and policy options for achieving it. Key is to place sustainability on the agenda of those who shape the financial system.
7. The Inquiry's approach to knowledge development is to draw on current practice, existing methods and analysis, leadership opinion, and forward-looking scenarios and policy proposals.
8. The Inquiry will take an open approach that allows anyone to submit relevant learning, insights and ideas. This will be enabled through its engagement in a number of countries, expert and stakeholder convening, joint research and publications.

Based on the UNEP statement described in the design of the sustainable finance system, the UN members are directed and expected to make changes in policies towards the financial sector by starting to lead to a sustainable finance system. Therefore, the goal is to achieve sustainable development to improve the sustainable, inclusive and fair economy. The Sustainable Development Goals are relevant to Indonesia as a developing country that has a goal of becoming a prosper country requiring the development to be

carried out sustainably. Through this sustainable development process, Indonesia can realize the goal of the country, that is social justice, in which the people do not experience social inequalities. This is in line with the global view of welfare with the existence of social investment paradigm. Social investment aims to increase social inclusion and minimize the intergenerational cycle of poverty in order to protect individuals from the increasing insecurity (flexibilization) of labor market. There are three principles that are central to the social investment perspective. First, the equality of opportunity, followed by the liberal notion of equality, the importance of education, and the prominent position it has in the lives of all (Benda, 2017). If this understanding of social investment is implemented in Indonesia, it can be interpreted that when there are parties with the intention to invest in Indonesia, it is necessary to pay attention to the goals of sustainable development, including the effort to alleviate poverty and high social gap. To implement the principles of sustainability, Indonesia has prepared a number of regulations including the principle of sustainable finance.

Article 2 Paragraph (2) POJK No. 51/ POJK.03/2017 has established the principles that must be used in the implementation of sustainable finance, including the principle of responsible investment, the principle of sustainable strategies and business practices, the principle of social and environmental risks management, the principle of governance, the principle of informative communication, the principle of inclusive, the principle of priority superior sectors development, and the principle of coordination and collaboration. Regarding banking activities, there are several principles that are very closely related to the banking intermediary function. First is the principle of responsible investment. The implementation of this principle will change the perspective or approach used by banks in investing both its own funds and third-party funds. This is stated in the explanation of Article 2 Paragraph (2) that the approach to financial investment in sustainable development projects and initiatives, natural conservation products, and policies supporting sustainable economic development and believing that the creation of long-term investment benefits depends on the economic, social, environmental and governance system. In addition, the principle of social and environmental risk management require the banks to integrate aspects of social responsibility and protection and management of the environment in risk management in order to avoid, prevent and minimize negative impacts arising from exposure to risks related to social and environmental aspects.

Furthermore, the principle of inclusiveness will encourage banks to equalize access to banking products and/or services so that they can reach the entire territory of Indonesia to accelerate economic advance, social welfare and environmental protection, especially for people with limited or no access to financial service sector products and services. In addition, banking regulations have accommodated other sustainable finance principles, including governance principle and informative communication principle. The entire of sustainable finance principles must be implemented gradually by banks

since January 1, 2019 for Banks BUKU 3, 4 and foreign banks by developing a Sustainable finance Action Plan and Sustainability Report.

The Sustainable Finance Action Plan is prepared based on the priorities of the bank, consisting of at least banking products and/services development including an increase in the financing portfolio, investment or placement in financial instruments or projects in line with the implementation of sustainable finance; development of the bank's internal capacity; or organizational adjustment, risk management, governance, and/or standard operating procedures published by the bank. In addition to the Sustainable Finance Action Plan, banks that are required to perform social and environmental responsibilities (TJSL) are obliged to allocate a portion of TJSL funds to support the activities of Sustainable Finance implementation. In the author's opinion, the principles of sustainable finance implicitly require banks to pay attention to social and environment. The implementation of sustainable banking principles must be considered as a strategic effort to increase profitability through environmental management while taking into account the greater interests of shareholders and public. This will increase the reputation, performance and image of the bank among stakeholders. In the early stages of implementing sustainable banking, it will have an impact on reduced bank profits, but the bank will not lose profits in the long term.

### **Integration of environmental and social aspects into Banking Risk Management**

Compared to other financial services sectors, banking regulations are stricter and more complex. This is closely related to the function of a bank as an intermediary that collects third-party funds and distributes them in the form of loans or financing based on sharia principles. All banking activities must be based on the principle of prudence, meaning that they must comply with all rules applied in the bank, including standard operational procedures made by the bank. In granting credit or financing, this prudential principle requires the bank to carry out in-depth analysis before credit or financing is granted. Explanation of Article 8 of the Banking Law states that credit or financing based on sharia principles provided by the bank contains risks, so that in the implementation, the bank must consider the healthy credit or financing principles. To reduce this risk, guarantee of granting credit or financing based on sharia principles in the sense of confidence in the ability and debtor customer to pay their obligations in accordance with the agreement is an important factor that must be considered by the bank. To obtain this trust, before granting credit, the bank must make a careful assessment of the character, capacity, capital, collateral and condition of economic of the debtor customer. In addition, in providing credit or financing based on sharia principles, banks must consider the results of the Environmental Impact Analysis (EIA) for large-scale and/or high-risk companies so that the project being financed will maintain environmental sustainability. Regarding the implementation of the prudential principle in granting credit or financing, banks are required to prepare and implement Credit Policy or Bank

Financing for Commercial Banks based on POJK No. 42/POJK.03/2017. This violation of the prudential principle is even classified as a banking crime.

Regarding risk management and governance, banks have two regulations that can be used as the legal basis for the implementation of sustainable finance, including POJK Risk Management and PBI Governance. These two regulations are important for banks in performing their functions as agent of trust and agent of services, which prioritizes trust to draw people's money. Risk management is closely related to the bank's obligation to manage risks arising from credit or financing. POJK risk management does not explicitly regulate social and environmental risks, but this does not mean that the bank can overlook social and environmental risks. There are four types of risks in POJK Risk Management that can be used to describe the principles of sustainable finance. First, the bank's obligation to implement sustainable finance principles can refer to compliance risks, that is risks arising from bank as the result of not complying with and/or implementing laws and regulations, including POJK Sustainable Finance and the obligation to make the Sustainable Action Plan as part of the statutory provisions. If the bank does not comply with or implement all applied provisions, based on the Article 2, 8 and 29 Paragraph (2) of the Banking Law and Article 23, 35 Paragraph (1) and 26 of the Islamic Banking Law, it has the potential to violate the prudential principle which is classified as a banking crime based on Article 49 Paragraph (2.b) of the Banking Law and Article 66 Paragraph (1.d) of the Islamic Banking Law.

In addition to compliance risk, the implementation of sustainable finance principles is included in the management of legal risk; the risk caused by lawsuits and/or weaknesses in juridical aspects. Another type of risk is reputation risk; the risk caused by a decrease in the level of trust of stakeholders resulted from negative perceptions of the bank. The last risk related to the implementation of the sustainable finance principles is strategic risk; the risk caused by an inaccuracy in making and/or implementing a strategic decision and failure in anticipating changes in the business environment. Accordingly, the bank can expand the interpretation of the four types of risks by referring to Article 2 Paragraphs (2.c) and (2.d) POJK Sustainable Finance, which requires banks as part of LJK to implement sustainable finance by using the principles of social and environmental risk management and governance principles. The sustainable finance principles is expected to be implemented by commercial banks included in commercial banks with main activities (*Bank Umum dengan kegiatan Utama/BUKU*) 3 and 4 on January 1, 2019, BUKU 1 and 2, and other financial service institutions on January 1, 2020. Based on POJK Sustainable Finance, the obligation to implement the first sustainable finance is borne by the Bank. POJK Nomor: 6/POJK.03/2016 concerning business activities and office networks based on bank core capital classifies commercial banks based on business activities (BUKU) 1 with core capital less than Rp. 1 trillion, BUKU 2 with core capital of Rp.1-5 trillion, BUKU 3 with core capital of Rp.5-30 trillion and BUKU 4 with core capital of more than Rp. 30 trillion. Another provision that will

accelerate the implementation of the sustainable finance principles is the regulation of governance.

The five principles of governance including transparency, accountability, responsibility, independence and equality, are relevant with the implementation of sustainable finance principles. First, transparency principle is related to a bank's openness in presenting material and relevant information and in performing the decision-making process. Second, accountability refers to the clarity of functions and responsibility implementation of a bank's organization, so that the management runs effectively. Third, responsibility refers to conformity of a bank's management with laws and regulations and the principles of healthy bank management. Fourth, independence refers to the professional management of a bank without the influence or pressure from any party. Fifth, equality refers to the fairness in fulfilling the rights of stakeholders, arising from both agreements and legislation. Good corporate governance (GCG) functions as a measuring tool to ensure the protection and legal certainty of stakeholders, especially the community and fund owners. GCG implementation in several countries is believed to be an instrument to increase investors or fund owners' trust and company profits (**Bababola, 2014**).

The problem faced by banks in implementing the sustainable finance principles is to ensure the risks that will be resulted from recipients of credit or financing. The risks caused by customers, especially those related to social and environmental issues become the bank's risks. Therefore, banks are challenged to creatively develop innovative products to meet customers with special needs, which include sustainable finance principles. In the practical actuality, it takes effort and time to change the stages of defensive banking to sustainable banking. At the stage of defensive banking, banks are not active or even can conflict with regulations relating to the environment because they are considered interfering with the relationship between the bank and the customer. Environmental management is considered an avoidable cost. Before reaching sustainable banking, banks will enter the next stage, that is preventative banking and offensive banking. At the preventative banking stage, banks begin to integrate income, costs and risks into daily business activities. Banks at this stage will consider internal processes including environmental risk management and credit risk assessment. Furthermore, in the offensive banking phase, banks have included the issue of sustainability into external activities by developing and marketing environmentally friendly products such as environmental investment funds and sustainable energy financing, and reporting their environmental activities.

The last stage is sustainable banking. In this stage, banks do not look for a high rate of return, but rather long-term benefits. This is highly possible if shareholders share the same vision and ambition. Banks at this stage will not invest their funds in a financially healthy business, if its social and environmental system is unhealthy. If banks can strengthen their environmental risk management and governance in their activities, this will improve the performance and ensure the profit of banks because there are no

costs to spend due to regulations that require banks to bear environmental risks. Furthermore, banks will be encouraged to implement green financing strategies with corporate social responsibility that will benefit the banks, communities and the environment (Roy, 2015). Based on the results of the study, banks that implement the principle of sustainability (sustainable banking) acknowledge the existence of interdependencies between economic, social and environmental systems, the relationship between social and environmental challenges with the growth and innovation level of banks (Stankeviciene, 2014).

At the level of global business activities, a business approach has been developed and used in investing to support sustainable development goals, that is socially responsible investment, a socially responsible investment as a means to achieve and support sustainable development. In the last 20 years, this phenomenon of socially responsible investment has grown exceptionally popular and has experienced a significant increase in research on environmental, social and governmental aspects, especially in developed countries and supported by international organizations, consultant companies of special finance and institutional investors (Shkura, 2017). Based on a report on the US Sustainable, Responsible and Impact Investing Trends established by US the SIF Foundations in 2018, more than one in 4 dollars was spent from professional management in the United States - \$ 12.0 trillion or more invested by using Sustainable, Responsible and Impact Investing (SRI) Strategies. Based on SRI strategies, investors including financial institutions do not want to invest in companies that produce weapons, alcohol, cigarettes, or companies that pollute the environment. SRI is an investment that takes into account environmental, social and corporate governance criteria to produce competitive long-term benefits and positive social impacts. Based on the results of other studies, almost 60 trillion US dollars in managed assets - or 50% of global institutional assets are currently managed with responsible investment principles. This shows the financial market commitment to environmental, social and governance criteria in investment decisions (Friede, 2015).

Based on the US SIF Foundations 2018 report, there are several motivations that encourage investment by using this SRI strategy (USSIF, 2018). The first motivation is personal values and objectives, institutional mission, and demands of clients, constituents or planners. The second motivation is sustainable investors aiming to generate strong financial performance, but also believe that the investments must be used to contribute to the advance of social, environmental and governance. The next motivation is seeking investments including community development loans or clean technology portfolios providing social and environmental benefits. The fourth motivation is that some investors use the SRI strategy to manage risk and fulfill fiduciary duty. The fifth motivation is to assess management quality and the possibility of the company's resilience in facing future challenges. The last motivation is that based on the results of academic research, there is a strong relationship between environment, social, governance and financial performance.

## **Implementation of the Transparency Principle through the Obligation of Sustainability Reports**

Regarding the obligation to implement sustainable finance principles, banks are required to prepare a sustainability report as the implementation of transparency principle. Integration of social, environmental and governance aspects in banking practices has encouraged countries to establish bank management principles to harmonize banks with sustainable development goals. In November 2018, UNEPFI has declared responsible banking principles (responsible banking). These principles synchronize banks with the community goals as stated in the sustainable development goals and the Paris Climate Agreement that will be effective in 2020. There are global measures for including a bank into the category of responsible bank. Banks must follow the national framework relevant to targets setting that are in line with the community goals as stated in the objectives of the SDGs, especially the sectors that require the contribution of the role of banks which has the most significant both positive and negative impacts. Furthermore, this principle requires banks to be transparent and accountable. Therefore, banks must publicly report their negative and positive impacts, contribution to the community goals, and progress in implementing the responsible banking principles. The responsible banking principles established by UNEPFI are:

1. Alignment: this principle is implemented by integrating explicitly the SDG's goals, Paris Climate Agreement, and relevant national, regional, and international framework into the banks' business strategy including the decisions regarding capital allocation.
2. Impact: this principle focuses on increasing the positive impact and reducing the negative impact on risk management on human and environment related to the results of activities, products and services of a bank.
3. Client and Customers: a bank will be responsible to clients and customers to encourage sustainable practices and enable economic activities that create shared welfare for present and future generations.
4. Stakeholders: a bank is proactively and responsibly consult, involve and build partnership with relevant stakeholders to achieve community goals.
5. Governance and Target Setting: a bank will implement this principle to by setting public targets related to the most significant impacts. Regarding governance, a bank needs to establish roles and responsibilities, to determine the bank's strategic goals concerning the sustainability in all functional areas, and to ensure adequate status, influence and resources. In addition, a bank must establish policies, management systems and controls to ensure that the sustainability of goals and targets are integrated into all decision-making processes throughout the bank.
6. Transparency and accountability: a bank will be periodically reviewed regarding the implementation of these principles individually and collectively and become transparent and responsible for positive and negative impacts as a result of the



bank's contribution to the community goals. This is conducted in the first 14 months so that it becomes part of the signing process every year. After that, it becomes transparent and responsible for the significant positive and negative impact and contributions to the community goals and provides information regarding the implementation of the responsible banking principle in public reporting of a bank.

In line with the responsibility principles of the bank mentioned, one of the principles that must be applied in implementing sustainable finance is the principle of governance. Before the enactment of POJK Sustainable Finance, banking regulations in Indonesia had regulated the obligation of banks to implement good corporate governance. Therefore, the necessary aspect is an interpretation of governance principles that are in line with the principles of sustainable finance. Based on Article 2 Paragraph (2.d) POJK Sustainable Finance, the principle of governance refers to the implementation of governance on the aspects of social responsibility and protection, and management of the environment that are transparent, accountable, responsible, independent, equal and reasonable. Specifically, POJK Sustainable Finance emphasizes that governance must be carried out transparently. In addition to the obligation to make a Sustainable Action Plan, POJK Sustainable Finance requires banks to make a sustainability report and publish the sustainability report to the public. The two obligations are regulated in Appendix I and II of POJK Sustainable Finance. Based on Article 1 Number 11 POJK Sustainable finance, this Sustainable Finance Action Plan is a document in the written form describing the business activity plans and work programs for short-term (1 year) and long-term (5 years) that are in accordance with the principle of sustainable finance. While the Sustainability Report refers to a report that is published to the public containing the financial, social and environmental economic performance of a financial service institution, Issuer, and Public Company in running sustainable business.

Sustainability report is a form of report published by a company in order to disclose or communicate to all stakeholders regarding environmental, social and good governance performance accountable. Before the enactment of POJK Sustainable Finance, the Sustainability Report was voluntary rules, meaning that it was made voluntarily by a bank. Although it was voluntary, there were companies that publish sustainability reports. Previous studies state that the number of banks that published sustainability reports was still relatively small, at 13%, while the remaining 87% did not publish sustainability reports. Based on data released by OJK at the end of 2016, the comparison of banks listed on the Indonesian Stock Exchange and had published sustainability reports is summarized in the following table.

**Table 2.** Data of banks publishing sustainability reporting

Type	Number of Bank	Publication
Bank BUKU 1	36	0
Bank BUKU 2	54	3
Bank BUKU 3	24	10
Bank BUKU 4	4	4
<b>Total</b>	<b>118</b>	<b>17</b>

Source: OJK, Info graphics of Financial Services Institution and Sustainability Report Issuers, 2017

Table 2 shows that all government banks published sustainability reports, while only several private banks prepared and published sustainability reports. In addition to banks, other financial services institutions and issuers that published sustainable reports were 37 companies. Other than companies listed on the Stock Exchange, non-listed companies were also enthusiastic in preparing and publishing sustainability reports. There were 5 non-listed financial service institutions that prepared and published sustainability reports. Sustainability reports are made mostly based on disclosure standards in the Global Reporting Index (GRI) (OJK, 2017). Through analysis of sustainability report content, the company's key environmental and social indicators can be identified (Krivacic, 2017).

In January 2019, the number of banks that would publish sustainability reports would certainly increase because BUKU 3 banks, BUKU 4 banks and foreign banks are required to submit sustainability reports in January 2019, while BUKU 1 and 2 BUKU banks and other financial service institutions are required to submit a sustainability reports in January 1, 2020. In Indonesia, the obligation to make sustainability reports is a common regulation, considering that the PT Law requires Limited Liability Companies that run their business activities in and/or related to natural resources to perform social and environmental responsibilities. For companies that have go-public, reports on social and environmental responsibility obligations must be included in company reports that must be disclosed. Thus, it is necessary to extend these obligations for all companies. The benefits of sustainability report based on the GRI framework are benchmarking organizational performance by taking into account laws, norms, regulations, performance standards, and voluntary initiatives; demonstrating organizational commitment for sustainable development; and comparing operational performance at all times.

Since this sustainability report is an embodiment of the principle of transparency as one of the principles of good governance, it will certainly increase transparency at banks. This will have a positive impact on the increase in investor trust in fund owners or creditors. Based on previous research, companies that implement governance are able to increase funding to companies (Tarigan, 2014). This means that banks will be stronger in terms of funding and this will affect and strengthen its function as an intermediary institution, while simultaneously strengthening the bank's capital structure. This is in

line with the development of regional banks that require banks to be able to fulfill Qualified ASEAN Banks (QABs) in order to face the ASEAN Banking Integration Framework (ABIF) in 2020.

As an illustration of the practice of the sustainability reports of banks in Indonesia, a sustainability report issued by Bank Mandiri Tbk can be taken as an example as a bank with the largest assets in Indonesia and a bank that receives certificates of first movers on sustainable banking from OJK. Bank Mandiri has made and published sustainability reports since 2013 with the reference of the Sustainability Reporting Guidelines compiled by GRI version 4.0 including the G4 Financial Services Sector Disclosure as a guideline for Bank Mandiri with a level of conformity "core". Referring to the sustainability reports published in 2017, the principle of sustainable finance implemented by Bank Mandiri is still in the offensive banking phase through the green banking initiative. The easiest and most practiced green banking practice in the banking industry is online banking or paperless banking that reduces costs (Gupta, 2015). In addition, as a form of support for environmental preservation, Bank Mandiri collaborates with Agence Francaise de Development through the signing of the Credit Facility Agreement extending loans to finance customer projects in the aspects of hydropower, biogas, combined cycle power plant and environmentally friendly projects (Bank Mandiri, 2016). In the future, it is expected that the implementation of sustainability principles in the banking sector can achieve the optimal results of sustainable banking, that is to make banking a means to integrate economic, social and environmental activities to ensure business sustainability through strong balance and sustainability between economic pillars (profit), social (people) and environment (planet), with the main goal is to improve people's welfare. Moreover, the participation of banks in the implementation of sustainable finance principles can be conducted through clauses in credit or financing agreements made between banks and customers, especially large debtors and priority industries.

## Conclusion

The implementation of the sustainable finance principles in the banking sector raises several legal implications. First, banks are required to integrate environmental and social aspects into risk management as a consideration in making decisions both in the distribution of funds and investments. Second, banks are required to make sustainability reports containing publications concerning activities based on the sustainable finance principles. This obligation is effective as of January 2019 for BUKU 3, 4 banks and foreign banks, and as of 2020 for BUKU 1, 2 banks, and other financial service institutions. Although previously it was voluntary regulation, there were already banks and financial service institutions that made and published sustainability reports. In the practical actuality, the sustainability reports of banks in Indonesia contain bank activities that support sustainable concepts in their business activities, including providing environmentally friendly credit and operations (green office). The sustainability reports are useful for banks to increase the trust of investors and creditors, who can increase

bank funding, which in turn can strengthen bank capital. This is important for banks to increase competitiveness both nationally and internationally, especially in facing the AESAN Banking Integration Framework that will be effective in 2020.

## Suggestions

It is necessary to reorganize regulations in the banking sector, specifically the integration of social and environmental aspects explicitly into risk management and governance, and law enforcement to ensure bank compliance in implementing the sustainable finance principles gradually.

## References

- Bababola, A. (2014), Corporate Governance and Sustainable banking Sector: Evidence From Nigeria, *Research Journal of Finance and Accounting*, 5 (22). 44-52. Access date: 26 August 2018. Source: <https://iiste.org/Journals/index.php/RJFA/article/view/17593/17879>
- Fauzi, A., Octavianus, A., (2014). Pengukuran pembangunan berkelanjutan di Indonesia, *Jurnal Mimbar*, 30 (1) Access Date: 15 June 2018. Source: <https://ejournal.unisba.ac.id/index.php/mimbar/article/view/445/759>
- Cahyono, A.S., Warsito, S., Andayani, W., Darwanto, DH., (2015). Faktor-Faktor Yang mempengaruhi Kebakaran Hutan di Indonesia dan Implikasi Kebijakannya, *Jurnal Sylva Lestari*, 3 (1) Source: DOI: <http://dx.doi.org/10.23960/jsl13103-112>
- Dubravka K. 2017. *Sustainability reporting Quality : The Analysis of Companies in Croatia*, *Journal of Accounting and Management*, 07 (01), hlm.7,
- Barbier, E.B & Burgess, J.C. (2017). The Sustainable Development Goals and the Systems Approach of Sustainability, *Economic*, 11, Access Date: 17 July 2018. Source <http://dx.doi.org/10.5018/economics-ejournal.ja.2017-28>
- Friede,G., Busch, T., Bassen,A., (2015). ESG and Financial Performance : aggregated evidence from more than 2000 empirical studies, *Journal of Sustainable Finance and Investment*. 5 (4). 210-233, Date Access: 18 August 2018. Source: <http://dx.doi.org/10.1080/20430795.2015.1118917>
- Shkura,I., (2017). Socially Responsible Investment in Ukraine, *Journal of Economics and management*, 27 (1), DOI: 10.22367/jem.2017.27.05, Date access: 20 August 2018. Source: <http://cejsh.icm.edu.pl/cejsh/element/bwmeta1.element.cejsh-2fc82385-30a5-44ed-95e3-f3baf59564b0/c/05.pdf>
- Gupta,J., (2015). Role of Green Banking in Environment Sustainability- Study of Selected Commercial Banks in Himachal Pradesh. *International Journal of Multidisciplinary research and Development*. 2 (8). Date Access: 5 September 2018. Source: [Doi.org/10.22271/ijmrd](https://doi.org/10.22271/ijmrd)
- Stankeviciene, J., & Martanikonorova. (2014) Sustainable Value Creation in Commercial Banks during Financial Crisis. *Procedia-Social and Behavioral Sciences*, 110 (24), 1197-1208, Source:[https://ac.els-cdn.com/S1877042813056061/1-s2.0-S1877042813056061-main.pdf?\\_tid=dd8771f8-c2fc-11e7-9e36-00000aacb360&acdnat=1509977876\\_8d98578ebfdc9b3ab167decbob8db179](https://ac.els-cdn.com/S1877042813056061/1-s2.0-S1877042813056061-main.pdf?_tid=dd8771f8-c2fc-11e7-9e36-00000aacb360&acdnat=1509977876_8d98578ebfdc9b3ab167decbob8db179)

- Tarigan, J., & Samuel, H., (2014). Pengungkapan Sustainability Report dan Kinerja Perusahaan. *Jurnal Akuntansi dan Keuangan*. 16 (2) Source: DOI: <https://doi.org/10.9744/jak.16.2.88-101>
- An Naf, J., (2005). Pembangunan Berkelanjutan dan Relevansinya Untuk Indonesia, *Jurnal Madani*, 2, Source: <http://download.portalgaruda.org/article.php?article=19482&val=1231>
- Abubakar, L., Handayani, T., (2017). Telaah Yuridis Terhadap Implementasi Prinsip Kehati-hatian Bank Dalam Aktivitas Perbankan Indonesia, *Jurnal de Lega Lata*, 2 (1). Source: [http://jurnal.umsu.ac.id/index.php/delegalata/article/view/1157/pdf\\_14](http://jurnal.umsu.ac.id/index.php/delegalata/article/view/1157/pdf_14)
- Benda, L., Fenger, M., Koster, F., Van Der Veen, R., (2017). Social Investment Risks? An Explorative Analysis Of New Social Risks In The Social Investment State. *Corvinus journal of sociology and social policy*, 8 (2). DOI: 10.14267/CJSSP.2017.2.02
- Roy, M.K., (2015). Sustainability in Banking Industry : Which Way to Move?, *ASA University Review*, 9 (2), Source: <http://www.asaub.edu.bd/asaubreview/v9n2.php>
- Otoritas Jasa Keuangan, 2014, Roadmap Keuangan Berkelanjutan di Indonesia 2015-2019, Jakarta, OJK.
- Jones, P. (2017). The Sustainable development Goals and Information and Communication Technologies, Indonesia, *Journal of Sustainability Accounting and management*, 1 (1), Source: DOI: <https://doi.org/10.28992/ijssam.viii.22>
- Roy, S.K., (2016). *The Principle of Sustainable development, Human Rights And Good Governance*, *Brawijaya Law Journal*, 3 (2) Source: DOI: <http://dx.doi.org/10.21776/ub.blj.2016.003.02.06>
- Kullman, T., Farrington, J., (2010). *What is Sustainability*, *Sustainability*, 2 (11), Source: [mdpi.com, P. 3436-3448. https://doi.org/10.3390/su2113436](https://doi.org/10.3390/su2113436)
- Karin, T., (2018) *The Concept of Sustainable Development : From its Beginning to the Contemporary Issues*, *Zagreb International Review of Economics and Business*, 21 (1) Source: <https://doi.org/10.2478/zireb-2018-0005>
- Handayani, T., Abubakar, L., (2017). Perkembangan Hukum Sektor Jasa Keuangan Dalam Upaya Percepatan Pertumbuhan Ekonomi Nasional, *Jurnal de Lega Lata*, 2 (2) Source: [http://jurnal.umsu.ac.id/index.php/delegalata/article/view/1220/pdf\\_37](http://jurnal.umsu.ac.id/index.php/delegalata/article/view/1220/pdf_37)
- Singh, V. (2014) "An Impact And Challenges of Sustainable Development in Global Era", *Journal of Economics and Development Studies*, 2 (2), P327-337, Source: DOI: 10.15640/jeds.
- Clune, W.H., Zehnder, A.J.B, (2018). The tree Pillars of Sustainability Framework : Approach for Law and Governance, *Journal of Environmental Protection*, (9). Source: DOI: 10.4236/jep.2018.93015
- Bank Mandiri, Mandiri Sustainable Work 2016-Sustainable Report, PT Bank Mandiri, Tbk <https://sdd-pdf.s3.amazonaws.com/report-pdfs/2017/8a589a0e51f44fb8efd1c2fe26b7abff.pdf?AWSAccessKeyId=AKIAJZQ4KYD2D35QKCDA&Expires=1528210495&Signature=1kCMKZHZAeaFtg%02BVIeAt%02BoNwo%03D>
- Otoritas Jasa Keuangan, Sustainable Finance- Infografis Lembaga Jasa Keuangan dan Emiten Penerbit Sustainability Report, 14 Maret 2017, <https://www.ojk.go.id/sustainable-finance/id/publikasi/riset-dan-statistik/Pages/Sustainability-Report-bagi-Lembaga-Jasa-Kuangan-dan-Emiten.aspx>

US SIF Foundation, SRI Basics , The Forum For Sustainable And Responsible Investment, <https://www.ussif.org/sribasics>  
United Nations Environment Programme, 2012. UNEP Statement of Commitment by Financial Institutions on Sustainable Development Volume 2012, Retrieved From: [http://unepinquiry.org/wp-content/uploads/2014/06/Aligning\\_the\\_Financial\\_System\\_with\\_Sustainable\\_Development\\_1\\_An\\_Invitation.pdf](http://unepinquiry.org/wp-content/uploads/2014/06/Aligning_the_Financial_System_with_Sustainable_Development_1_An_Invitation.pdf).